



## TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

502 DEADERICK STREET  
NASHVILLE, TN 37243-0201

### SUBSTITUTE WITHHOLDING CERTIFICATE FOR PENSION OR ANNUITY PAYMENTS (W-4P)

Name and Address:

Social Security Number:

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**Complete the following applicable line:**

**1** I elect **NOT** to have income tax withheld from my pension.  
(Do not complete lines 2 or 3 if you check here)

**2** I want the following **TOTAL** amount withheld from each payment.  
(Do not complete lines 1 or 3 if you enter an amount here) \$\_\_\_\_\_

**IF YOU COMPLETED LINE 1 OR LINE 2, DO NOT COMPLETE LINES 3a OR 3b.**

**3a** I want my withholding from each payment to be figured using the number of allowances and marital status shown.  
(Enter the number of allowances) \_\_\_\_\_

Marital Status:      Single      Married      Married, but withholding at higher single rate

**3b** I want the following additional amount withheld from each pension payment  
(This amount is deducted in addition to the amount computed from the information on line 3a) \$\_\_\_\_\_

Your signature	Date
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# TCRS MONTHLY BENEFIT TAX INFORMATION

## *Tax Liability*

TCRS members who begin receiving monthly retirement benefits this year will be liable for federal income taxes on their pensions. For contributory members, however, a portion of benefits received will be tax-free. A tax exemption for the amount of a member's previously taxed contributions is spread out over the member's expected lifetime. The total tax-exempt amount will be the amount of after-tax contributions the member paid into the plan.

Two alternative methods of calculating the annual taxable amount have been approved by the IRS. Under the **General Rule**, the pay out of previously taxed contributions is spread out over the member's lifetime (or in the case of joint and survivor payment plans, the lifetime of both the retiree and his/her beneficiary). The **Simplified General Rule** method has also been authorized by the IRS. This method distributes the return of member contributions on the basis of the estimated number of benefit checks a retiree will receive. The taxable portion as calculated by the **Simplified General Rule** method may differ from that produced by a General Rule calculation. While individual retirees are free to use either method of determining their taxable amounts, TCRS has found the **Simplified General Rule** method advantageous to the majority of its retirees, and now uses this method exclusively. Additional information on this method is available in the *Instructions to IRS Form 1040* and IRS Publication 575, *Pension and Annuity Income*.

Each year, TCRS will provide a 1099-R form to every individual receiving monthly retirement benefits. The 1099-R form will show both the total amount of benefits received from TCRS during the year and the amount of income which is taxable. For disability retirees and beneficiaries of members dying while in service, the taxable portion calculated by TCRS on the 1099-R will not reflect special tax credits for which these individuals may be eligible. These individuals may need to consult a tax advisor or contact the IRS for further information.

## *Withholding*

Depending upon the amount of the monthly benefit, TCRS may have to withhold taxes on benefits unless an election is filed specifying no withholding. Federal law requires TCRS to automatically withhold income tax as if the member was married with three exemptions unless one of the following elections is made:

1. Elect no withholding;
2. Specify a definite amount to be deducted for withholding; or
3. Specify that withholding be deducted based on a specified number of allowances and your marital status.

If you have not already submitted a W-4P form (or substitute form) and wish to elect one of the above options, you should complete the enclosed Substitute Withholding Certificate for Pension or Annuity Payments and return it to the TCRS office.

Federal law requires TCRS to inform retirees each year that they are liable for federal income taxes on the taxable portion of their pensions and may be subject to tax penalties if estimated tax payments and withholding do not pay 90 percent of their tax liability.

Additional tax questions should be directed to the Internal Revenue Service. In Nashville, call 834-9005. Outside Nashville, call 1-800-829-1040.